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Semi-Annual
Report to
Shareholders

June 30
1969

Van Der Hout

ASSOCIATES LIMITED

TO OUR SHAREHOLDERS:

Your Company has experienced encouraging results for the six months ended June 30, 1969. These results reflect our internal reorganization and the acquisition late in 1968 of Jaco Catalogue Equipment Limited, J. C. Adams Company Limited, and Permatex-Pep Limited. Comparative information is not being presented since the JACO Group figures cannot be consolidated for the first half of 1968. As well, our year-end was changed in 1968 from August 31 to December 31.

To give you some impression, however, of our comparative position with last year, Sales for the first half of 1968 were \$679,000 with a loss of \$13,000. The first half of 1969 (excluding Gabriel) produced Sales of \$2,069,000 with net after-tax earnings of \$95,000.

During the first half of 1969, Consolidated Working Capital (excluding Gabriel) increased by \$104,000 or 20 per cent reflecting the increased profitability of your company.

Gabriel of Canada Limited (49 per cent owned), the investment for which is carried at cost in the VDH Balance Sheet and none of whose earnings or sales are included in the VDH Consolidated statements, produced an unaudited after-tax profit of \$251,000 on sales of \$5,900,000 for the first half of 1969. The VDH share of Gabriel's net profit for the period amounts to \$173,000 or 14.6 cents per VDH share. These earnings were achieved in spite of labour difficulties experienced during the period.

Early in August, expansion plans were announced for Gabriel. Construction has already begun on a building of approximately 100,000 square feet adjacent to the Company's number three plant in Etobicoke. The new building will house a tube manufacturing facility to supply tubing of our own manufacture for the production of shock absorbers. Tubing is an important

part of material costs and we expect the efficiency resulting from this major step in Gabriel's continuing program of vertical integration will be reflected in greater profitability.

As well, we are introducing a new production line for the manufacture of 1½" shock absorbers which will enable the company to more effectively compete for a larger share of the North American market under the U.S.-Canada Defense Sharing programs.

Current production of approximately 25,000 units per day is expected to exceed 30,000 per day when the expansion is completed next Spring. The expansion will cost approximately \$2,200,000, and satisfactory financing has been arranged with the Federal Government.

Future prospects are favourable. Consolidated earnings amounted to 11.3 cents per share, which combined with our share of Gabriel's earnings amounts to 25.6 cents per VDH share for the first half. We anticipate continuation of these results through the balance of 1969.

J. B. Van Der Hout.
PRESIDENT

August 25, 1969.

CONSOLIDATED STATEMENT OF INCOME (Unaudited) FOR THE SIX MONTHS ENDED JUNE 30, 1969

SALES	\$2,069,000
OPERATING INCOME before income taxes and minority interest	\$ 225,000
Income Taxes	\$123,000
Minority Interest	7,000
NET INCOME	\$ 95,000
NET INCOME PER COMMON SHARE	11.3c

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS (Unaudited) FOR THE SIX MONTHS ENDED JUNE 30, 1969

SOURCE OF FUNDS:	
Operations:	
Net income for the period	\$ 95,000
Items not requiring an outlay of funds:	
Depreciation and amortization	\$ 10,000
Increase in equity of minority shareholders	3,000
Proceeds on disposal of fixed assets	13,000
Decrease in cash surrender value of life insurance	4,000
	2,000
	\$ 114,000
APPLICATION OF FUNDS:	
Purchase of fixed assets	\$ 8,000
Payment of mortgage principal	2,000
	10,000
INCREASE IN WORKING CAPITAL DURING PERIOD	\$ 104,000
Working Capital at beginning of the period	515,000
Working Capital at the close of the period	\$ 619,000

COMPARATIVE INFORMATION: please see accompanying letter.